





CD4D

Export Control and Economic Espionage Briefing

Unit Chief CD4D
Alexis Hatten
Phone: 202-324-6066

Briefing Focus

- HISTORY OF ECONOMIC ESPIONAGE AGAINST THE UNITED STATES
- THE 1996 ECONOMIC ESPIONAGE ACT
 - METHODOLOGIES
 - CASE STUDIES
- Export Restrictions and Nominee sponsors

ECONOMIC ESPIONAGE HISTORY

- U.S. National Security Strategy:
“...for America to be strong abroad, it must be strong economically at home. At the same time, domestic economic renewal depends on the growth and integration of the **global economy**...”
President Clinton in 1994
- CD4D was established to focus upon this threat on November 4, 2003

ECONOMIC ESPIONAGE DEFINITION

- **Foreign power**-sponsored or coordinated intelligence activity directed at the U.S. Government or U.S. corporations, establishments, or persons, designed to unlawfully or clandestinely obtain sensitive financial, trade, or economic policy information, proprietary economic information, or critical technologies, or to unlawfully or clandestinely influence sensitive economic policy decisions.

1996 ECONOMIC ESPIONAGE ACT

- Section 1831: Economic Espionage (Agent of a foreign power):
 - Penalties: persons: \$500,000 and/or 15 years in prison; organizations: \$10,000,000
- Section 1832 : Theft of Trade Secrets (Industrial Espionage) :
 - Penalties: persons: \$500,000 and/or 10 years in prison; organizations: \$5,000,000

METHODOLOGIES

How does Economic Espionage
Occur?

METHODOLOGIES

- Volunteers
- Co-opting via “cultural commonalities”
- Recruitment as agents
- Surreptitious entries and searches abroad
- Computer penetrations
- SIGINT

METHODOLOGIES

(Continued)

- Unsolicited requests for information via E-mail, written letters, telephone calls and unannounced visits
- Inappropriate conduct during visits
- Solicitation and marketing services
- International exhibits, conventions, symposia, seminars, lectures, etc..., both in the United States and abroad
- Marketing foreign technology and services within the United States

METHODOLOGIES

(Continued)

- Joint ventures via front companies
- Purchase of technology or companies owning the technology
- Co-opting of former and disgruntled employees
- Open source collection:
 - internet
 - libraries
 - dumpster diving

POSSIBLE INDICATORS OF ECONOMIC ESPIONAGE

- Contact with foreign officials and/or foreign delegations, above and beyond normal responsibilities
- Frequent travel abroad to attend conferences, lectures, seminars, symposia, etc...
- Notable enthusiasm for overtime, weekend or other unusual work schedules
- Interest in matters outside the normal scope of employment
- Disgruntled
- Recently terminated/laid off

FIRST ARREST UNDER THE EEA

December 7, 1996

PATRICK WORTHING

DANIEL WORTHING

Victim: Pittsburgh Plate Glass

- PPG contract employee sells PPG trade secrets valued at \$20 Million to undercover FBI agent
- Sentenced to 15 months in federal prison

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

- An undergraduate at National Taiwan University in Taipei
- Received Masters Degree at the University of Akron
 - Polymer Science
- Received Ph.D. at Texas Tech
 - Chemical Engineering

DR. TEN HONG LEE

Victim: *Avery Dennison Corp.*

- PIN YEN YANG
 - President and founder of the Four Pillars Enterprises Company in Taiwan
 - citizen of Taiwan
- SALLY YANG
 - daughter of Pin Yen Yang
 - U.S. citizen
 - Research and development for Four Pillars Enterprises Company

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- July 1989 - Lee invited to Taiwan by Industrial Technology Research Institute to give lecture
- Lee then invited to Four Pillars to give lecture by technical director
- Lee asked to work as “secret consultant” to Four Pillars (paid \$25,000 the first year)

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- From 1989 - 1997, Lee supplied proprietary/trade secret Avery Dennison technology to Four Pillars
- Lee paid \$150,000 to \$160,000 through various channels
- Multiple contacts with Pin Yen and Sally Yang
- Estimated losses from \$50 - \$60 million

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- Lee cooperated with FBI investigation
- Meeting between Pin Yen Yang, Sally Yang and Lee on Sep. 4, 1997, in Cleveland
- Arrests at Cleveland Hopkins Airport

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- October 1, 1997, 21-count indictment returned against Pin Yen Yang, Sally Yang, AND Four Pillars for:
 - mail fraud
 - wire fraud
 - money laundering
 - receipt of stolen property
 - attempted theft of trade secrets (1832)

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- October 1, 1997, Dr. Lee pled guilty to wire fraud and agreed to cooperate with the FBI investigation
- On April 28, 1999, Pin Yen Yang, Sally Yang and Four Pillars all found guilty of conspiracy and attempted theft of trade secrets (1832).

DR. TEN HONG LEE

Victim: Avery Dennison Corp.

Case History

- On January 5, 2000, Pin Yen Yang was sentenced to two years probation and six months of home detention
- Sally Yang received one year probation
- Four Pillars was fined \$5 million
- Separate civil case

OTHER POINTS OF INTEREST

- 75 countries have targeted U.S. proprietary/trade secret information
- Most information that is covertly sought is NOT classified
- The information may no longer be “cutting edge” by U.S. standards
- Those involved with economic espionage mostly seek to obtain only bits and pieces of information at a time
- The threat will continue

Export Restricted Technologies



